

BEFORE THE  
POSTAL REGULATORY COMMISSION

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Periodic Reporting (Proposal Seven)

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Docket No. RM2021-1

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**MOTION OF UNITED PARCEL SERVICE, INC. FOR  
ISSUANCE OF INFORMATION REQUEST TO  
THE UNITED STATES POSTAL SERVICE  
(February 5, 2021)**

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In accordance with 39 C.F.R. § 3050.11(c), United Parcel Service, Inc. (“UPS”) respectfully requests that the Presiding Officer issue an Information Request to the Postal Service to obtain answers to the appended set of questions. These questions are intended to provide greater clarity regarding some of the complex costing practices that underlie the Postal Service’s Proposal Seven regarding updates to the variabilities for certain highway transportation contracts (Dkt. No. RM2021-1). Answers to these questions will serve the important goal of providing additional transparency regarding Postal Service costing practices to the public and to interested parties and may point to ways in which those practices can be improved or by which apparent anomalies can be addressed. As the Commission has observed, the Postal Accountability and Enhancement Act “relies on public transparency . . . to achieve its goal of Postal Service accountability.” Dkt. No. RM2008-1, Order No. 194 (March 20, 2009) (“Order No. 194”) at 2.

Respectfully submitted,

UNITED PARCEL SERVICE, INC.,

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**PROPOSED QUESTIONS:**

1. Please refer to the figures shown in Tables 1 and 2 of the November 9, 2020 report filed by Professor Bradley in this docket (RM2021-1). In all account types (e.g., “Inter SCF”), there are many more regular contracts than Christmas contracts. However, the relative difference varies by account type. For example, there are roughly 13 Regular Intra-SCF contract cost segments for every Christmas Intra-SCF contract cost segment (11,726 vs. 924), while there are fewer than 3 Regular Inter-SCF contract cost segments for every Christmas Inter-SCF Cost Segment (1,455 vs. 545). Please explain the reasons for the difference; why are there relatively more Christmas routes in Inter-SCF, Intra-NDC, and Inter-NDC routes? In particular, please discuss the extent to which this difference is the result of differences across location types in the size of the seasonal increase in volumes.
2. Please describe the contracts through which transportation is purchased by the Postal Service for Dynamic Route Optimization (“DRO”). In particular, please answer the following questions:
  - a. What is the typical term of such contracts?
  - b. Are these standing contracts that allow for on-demand transportation services at any point during the term of that contract?
  - c. Is the fixed payment per mile (referred to by Professor Bradley on page 29 of his report in this docket and discussed in additional detail in the Response to Question 7 of Chairman’s Information Request No. 1) the only payment paid to suppliers, or do these contracts specify other

types of payments? If there are other payments, please describe the nature of these other payments.

- d. In its response to Question 7 of Chairman's Information Request No. 1, the Postal Service indicates that there is a minimum mileage guarantee in DRO contracts, but the minimum guarantee has not been used. Are there maximum mileage amounts that can be purchased on a given contract?
  - e. Are there any limitations on the frequency with which routings can be changed under these contracts?
3. The name of this set of routes—Dynamic Route Optimization—implies that their routings are determined through some type of optimization procedure.
- Regarding this procedure:
- a. What is the objective function of this optimization process?
  - b. What constraints, if any, must be met in the process of computing the optimum?
4. The Response to Question 7 of Chairman's Information Request No. 1 suggests that schedules are generated weekly.
- a. Please confirm that schedules are generated weekly. If not confirmed, please explain.
  - b. Do all the trips in a given week under a given DRO contract cost segment follow the same route? Or can the optimized route vary by day?

- c. More generally, how frequently does the routing of a typical DRO contract cost segment change? Are such changes triggered by re-optimization? By other circumstances? If the latter, what other circumstances?
- 5. How are the decisions made for determining, managing, and changing DRO routings? Who typically makes these decisions?
- 6. In its response to Question 7 of Chairman's Information Request No. 1, the Postal Service indicates that "DRO contracts are currently only used for local transportation between processing facilities and delivery units." Please discuss whether the Postal Service is considering or intending to expand DRO contracts beyond this level of its highway transportation operations.
- 7. Does the Postal Service ever decide temporarily to suspend the operation of a specific DRO contract for a period of time? If so, how frequently? And if so, for how long a period of time?
- 8. Does the number of DRO contracts in effect change over the course of a fiscal year? If so, what circumstances might trigger the termination of an existing contract? What circumstances might trigger the decision to enter into a new contract?
- 9. Please describe the circumstances that might cause the Postal Service to enter into a van DRO contract as opposed to a tractor trailer DRO contract.

For questions 12-14, please refer to the public tcss\_fy19 dataset.

- 10. The tcss\_fy19 dataset contains a variable named *state*. Please indicate the precise meaning of the recorded state. For example, does this indicate the

location of an origin facility, a destination facility, the state of the supplier, or does it have some other meaning?

11. The *opfreq* variable, which according to the Preface, provides the “Trip Frequency Per Year,” takes several non-integer values. How are these values derived? For example, what does it mean for a contract cost segment trip to be operated 303.07 times per year? Or 251.46 times per year?
12. Please describe the relationship, if any between the *costsegamt* variable and the actual costs incurred by the Postal Service in its various highway transportation accounts during FY2019. For example, is it possible, using the values of *costsegamt* for those observations where *account* takes the value of 53605, to calculate or approximate the costs incurred in Ledger account 53605 during FY2019? If it is possible, please provide a description or example calculation. If not, please explain why not.